FOREIGN AGRICULTURE

Swiss farm scene

October 18, 1976

India's Grain Storage

First 200 Years of U.S. Farm Trade Policy

Foreign Agricultural Service
U. S. DEPARTMENT OF AGRICULTURE

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This week's cover:

Typical farm in the Emmental valley, near the Swiss city of Bern. A widespread land reform measure that would have resulted in drastic changes in land usage was defeated in a referendum recently. See article on page 11.

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New open-air method being tried

Bumper Grain Crops Strain India's Storage Capacity

By ROBERT C. TETRO
Assistant U.S. Agricultural Attaché
New Delhi

RECORD LEVELS OF foodgrain production and Government procurement, higher than usual imports, and sluggish offtake through the public distribution system have presented the Indian Government with its most serious storage challenge since 1970/71. And with fall-harvested grain (kharif) procurement operations due to commence in October, as well as some further, albeit modest, procurement of spring-harvested grain (rabi) anticipated once kharif prospects are more certain, the challenge could become more acute later this year.

New regulations in the past year tended to sharply reduce operations of private grain traders. As a result, farmers—no longer able to sell their grain crops to large merchants—increased deliveries to Government procurement centers where prices during 1974 and 1975 were below prevailing open market prices. As a consequence, stocks now held by grain merchants are believed to be considerably below the level recorded in early 1975.

Foodgrain stocks held by the Central and State Governments are estimated to have reached 17 million metric tons by the end of August. Although no breakdown of this total is available, the level of 11.5 million tons reached during the first week of June was comprised of 7.2 million tons of wheat, 3.7 million tons of rice, and 600,000 tons of coarse grains. In addition, another 2.5 million tons of wheat were stored with State agencies in Punjab and Haryana, some of which had been earmarked for distribution to other States.

It is estimated the Indian Government has grain storage capacity for 12 million tons in permanent facilities and 5 million tons in temporary facilities. Grain losses from rodents, spoilage, and insects are said to be less than 2 percent in the permanent facilities and between 5 and 10 percent in the temporary facilities (600,000 to 840,000 tons).

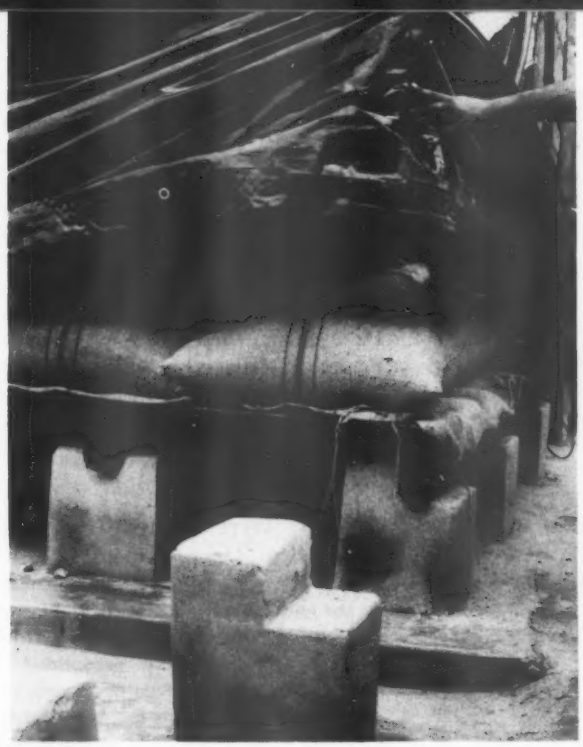
The conditions under which this grain is stored vary considerably throughout India. Approximately 60-70 percent of all wheat produced is stored and utilized for roughly 6 months by farmers under outmoded, ad hoc conditions, where substantial losses are almost taken for granted. Bulk-type facilities—usually silos owned and operated by the Food Corporation of India (FCI), a Central Government agency charged with buying, warehousing, transporting, and selling foodgrains and other food items—house some 100,000 tons under conditions roughly equivalent to those encountered in Canadian and U.S. silos. Losses under these conditions are considered negligible.

Another common storage method is FCI and Central/State Warehousing Corporations (CWC/SWC) facilities that entail storing 1-quintal bags (220 lb) in covered and closed cement godowns (warehouses), where losses normally would not exceed 1-2 percent.

The latest outdoor storage innovation goes by the acronym CAP (for cover and plinth). CAP storage essentially involves stacking wheat in bags on wooden plinths or pallets and covering them with 300-mil polyethylene sheets (as well as canvas tarpaulins when available).

The cost of polyethylene is Rs1,200 per sheet—about $1.36 at the rate of Rs8.80=US$1—and one sheet reportedly lasts for three seasons (about 18 months) under normal conditions, if properly handled. Each sheet is enough to cover one stack whose dimensions are 20 by 30 feet by 14 bags high. Stacks (both in the godowns and under CAP) have been enlarged by stacking to a height of 18-20 bags. Open-air stacks now contain approximately 140 tons and the capacity of indoor storage has been expanded by roughly 25-30 percent by using higher stacks.

The type of plinth used in CAP storage varies. The newest and, therefore



Clockwise from below: Piling grain at Food Corporation of India cover-and-plinth (CAP) storage area in Haryana State; polyethylene-covered CAP grain stack; foodgrain storage facility; closeup showing CAP construction details.

the least widely adopted, is an array of blocks made of brick and mortar which, when combined with wooden pallets, raise the bagged grain approximately 18 inches off the ground. Other plinth techniques involve either stacking pallets two high or utilizing a brick foundation. In the latter two cases, the grain remains 8-12 inches above the ground. Further protection is afforded by an underlayer of polyethylene whose ends are folded up and into the stack between the third and fourth bags. When used, this technique helps to protect the lower levels of bags from windswept rain damage.

All stacks are bound with rope and receive a premonsoon fumigation, the most popular fumigant being aluminum phosphate tablets. The fumigation is good for 3 months.

Aeration is also necessary, the frequency contingent on the moisture level of the stored wheat: Once every 2 weeks for wheat stored with less than 12 percent moisture; once a week if the level falls between 12-14 percent; and twice weekly if it exceeds 14 perecnt. (Rice does not lend itself to storage under CAP conditions.) No comprehensive, official study has ever been undertaken of Indian foodgrain storage losses, much less under these latest CAP conditions. Variations in the extent of losses under CAP storage will undoubtedly depend on the type of grain being stored and the exact technique being used.

The overall successes in cutting grain losses recently witnessed in Haryana and western Uttar Pradesh can probably be repeated in many parts of India; but areas do exist where such storage would certainly be more severely tested by the elements as well as by less resourceful and more poorly trained workers.

Moisture levels prevailing during the monsoon season would seem to call for fairly regular aeration, which monsoon conditions might well prevent. And CAP storage, especially the more prevalent wooden-pallet and brick-platform

type, is particularly susceptible to damage from low-level flooding, which inevitably occurs in some areas. In addition, the increased height of most stacks puts lower-level bags under considerable stress. Rodents and insects also have readier access to this type of storage.

The feasibility of extensive reliance on CAP storage involves several considerations. Bulk and conventional storage is admittedly more expensive—reportedly around Rs500 and Rs250 per ton of capacity for silo and conventional godown storage, respectively. Furthermore, in order to recover the costs of silo or godown construction during their 25-30 year life spans, it is estimated that a capacity utilization of 75 percent is needed for at least 9 months each year.

Space permitting, the FCI can hire out storage space at a monthly charge of 35 paise per quintal (40 U.S. cents per ton)—a charge that includes security and preventive maintenance services. Private storage is available exclusive of these services for 10 paise per quintal.

The initial investment requirements of CAP storage are comparatively low, but operational expenses far exceed those of silo and godown operations because of management, maintenance, and damage costs. Successful application of CAP storage techniques during the present emergency has undoubtedly revealed the extent to which CAP may be relied upon as a short-run expedient.

IT IS DOUBTFUL, however, whether this success spells a drastic alteration of the Government's future plans for expansion of its silo storage capacity; inasmuch as a stable buffer stock will be an important tool for sound, long-run economic and political development.

In early calendar 1976, approximately 8 million tons of foodgrain storage capacity was available to the Indian Government with the various public sector agencies: FCI, CWC/SWC, and State Governments. About 70 percent of the 7.5 million tons available with the FCI was located in the States of Punjab, West Bengal, Uttar Pradesh, Maharashtra, Andhra Pradesh, Madhya Pradesh, and Tamil Nadu. An additional 3.5 million tons was available with cooperatives whose storage facilities consist mainly of small rural godowns more suitable for meeting the needs of farmers than for facilitating official buffer stock objectives or the requirements of imports and procurement.

This capacity has been augmented by an additional 4-5 million tons of CAP storage to meet the need to house the 17 million tons presently estimated on hand.

By May 1977 the FCI hopes to erect an additional 1 million tons of conventional godown capacity. With assistance from the International Bank of Rural Development (IBRD) amounting to Rs94 million, five additional silos (capacity 20,000 tons each) are scheduled for completion by the latter part of 1977, thereby doubling the Indian Government's bulk storage capacity. Two of these silos are to be located in Uttar Pradesh (at Lucknow and Khurja) and three in Punjab (at Moga, Jagraon, and Khanna).

Priorities for the construction of additional capacity sufficient to accommodate the hoped-for 11-12-million-ton buffer stock (inclusive of 3-4 million tons of operational stocks)—and the gradual phasing out of a dependence on hired facilities (approximately 2 million tons)—include construction in areas where the increase in foodgrain production is expected at a higher rate than in the immediate past. High priority is, therefore, likely to be given to the rice-growing States of the Eastern Zone (West Bengal, Assam, Orissa, and Bihar) and the Southern Zone (Andhra Pradesh, Tamil Nadu, and Karnataka). A secondary emphasis can be expected where storage capacity will be necessary to maintain and/or stabilize the public distribution system—particularly in all deficit areas.

Although the exact size of the buffer is presently discussed in terms of 11-12 million tons, its eventual level will hinge on production trends, marketable and marketed surpluses, rate of population growth, procurement and price policies, the overall financial position of the Government, and many modifications in the present restrictions on inter-State (and in some cases interdistrict) movement of foodgrains. Determining the approximate level of operational stocks will also be an exercise requiring tailored State-by-State estimates. For rough computation purposes, the average monthly offtake during the past 5 years will be used to calculate distribution requirements for 2, 6, and 7 months, respectively, for wheat, rice, and coarse grains. Special considerations, however, will need analysis when it comes to locating these stocks.

The rather substantial capacity that already exists (approximately 3 million tons) in the surplus, Northern Zone States of Punjab, Haryana, Uttar Pradesh, and Rajasthan will require augmenting to meet the additional needs of procurement and buffer operations. Public distribution requirements in Delhi, Jammu and Kashmir, Himachal Pradesh, Maharashtra, Kerala, and Gujarat will necessitate additional capacity—in the latter three cases this need will be enhanced by foodgrain and fertilizer imports.

SEVERAL STATES in the Eastern and Southern Zones will need to compute future storage needs with an eye on the anticipated increases in rice production; and particular cases exist (for example, Bihar) where accommodations must be anticipated for foodgrain imports from the ports of Vizag and Calcutta, as well as some overflow from Punjab and Haryana. Buffer-stock needs will figure prominently in the estimates made for Karnataka and Madhya Pradesh.

In an attempt to rationalize this future growth in storage capacity (bulk and conventional) the Institute of Public Administration at Hyderabad had been commissioned to formulate detailed demand projections. Fundamental to these projections is the extent to which India should (or realistically can) move in the direction of bulk storage and handling. The advantages clearly favor these facilities: Quicker handling, the simultaneous storage of different types of grain, lower handling costs, less deterioration and loss, mechanical aeration and fumigation, easier verification of quantities on hand, and savings on gunnybag costs and space requirements.

The eventual extent to which India will commit itself to bulk storage remains undetermined. Most likely levels will entail a commitment spanning the next 10-15 years and will require careful integration into the entire system of imports, handling, transport, storage, and distribution, to say nothing of the financial outlays involved. Recent estimates appearing in the local press placed the sum at Rs1.2 billion (about $135 million) for the construction of 3 million additional tons of conventional capacity and 200,000 tons of silo capacity—the approximate target for 1978/79.

Preliminary negotiations already un-

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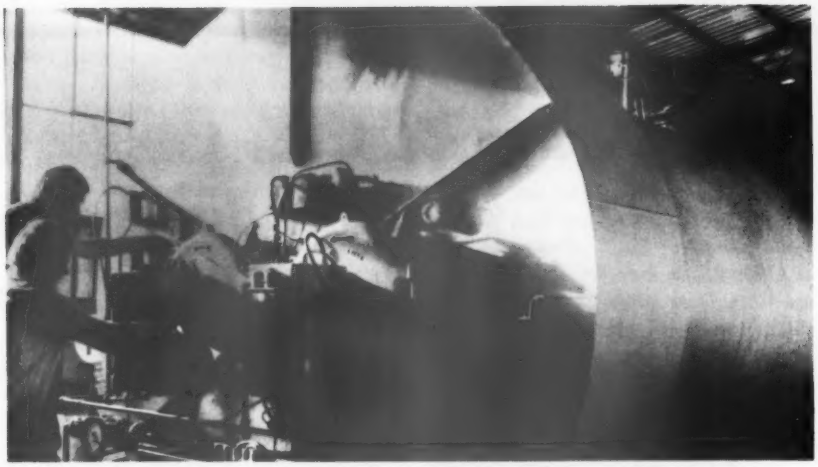
Czechoslovak Meat Output To Rise by End Of This Year



Above, a fodder drying plant at Czechoslovak co-op farm that produces over 8,000 hogs a year. Left, a canned ham from Czechoslovakia, produced especially for the export market. Czechoslovakia's total meat output may be considerably higher in the second half of 1976, despite Government plans for a production slowdown.

TOTAL MEAT PRODUCTION in Czechoslovakia may be up considerably during the second half of 1976, despite Government plans for a marked slowdown in current meat production and stabilization of livestock numbers to keep them more nearly in balance with available grain supplies. But to keep output at planned levels in 1977, Czechoslovakia may have to make sizable grain imports for feeding to overcome the effects of the drought in mid-1976.

According to State plans for the current year, combined slaughter of cattle and swine was programed to increase by only 1.5-2 percent (against 10 percent in 1975) and output of poultry was to rise by 4.6 percent (against 6.8 percent in 1975).

Responsible for the planned slowdown in red meat production were the poor 1975 grain crop that was 1 million tons less than that of a year earlier, a reduction in available fodder, and the Government's program to increase long-term beef supplies, which has reduced the number of cattle for slaughter.

The 1976 plan lists nominal slaughter increases. This year's plan, (with comparable 1975 totals in parentheses) calls for the slaughter of 680,000 (672,000) tons of cattle and calves, 755,000 (743-000) tons of swine, and 185,000 (177,-000) tons of poultry.

During the first half of 1976, the rise in meat production came nowhere near the programed goal of 1.5 percent because State purchases of animals (including poultry) were 3.1 percent lower than in the same period of 1975. (Red meat supplies were down even more since a larger share of total purchases in 1976 were of poultry.)

There was only one positive factor in the animal production picture. Total cattle on farms on June 30, 1976, stood at 4,699,000 head versus 4,617,000 a year earlier. Cow numbers, however, declined from 1,899,000 head to 1,884,-000. Total swine numbers also fell from 6,818,000 head in 1974 to 6,709,000, with the number of sows staying at the year-earlier level of 498,000.

(Czechoslovakia is one of Eastern Europe's minor ham and shoulder exporters to the United States, but would like to boost its sales of these products. In 1975, U.S. ham and shoulder imports from Czechoslovakia were only 151 metric tons, while those from Poland were more than 34,000 tons.)

Because of the reduced fodder supplies for cattle feeding, many Government farm enterprises shifted to grain for feeding in midyear. But this was no solution because the 1976 grain harvest is also down from last year's level.

While no official figures are available yet, USDA estimates place the 1976 crop at 8.9 million tons, considerably lower than the hoped-for goal of 10.2 million tons. This approximate 2-million-ton shortfall could have a profound effect on State plans to maintain future meat supplies at a relatively high level.

Consumer demand for meats should stay strong. In the short run, this should cause no problems despite Government commitments to maintain retail meat prices at low levels because purchasing agencies can boost their buying activities to cover slaughter requirements during the remainder of 1976.

And in any case, slaughter of animals may be boosted as the year wears on because of the widespread feed and fodder shortage. But this in turn could adversely affect plans to increase longer-term meat supplies unless the Government is able to fill the grain-supply gap.

If grain production for 1976 turns out to be as bad as many believe, Czechoslovakia may have to import 2.5-3 million tons of grain, about twice as much as annual average imports in recent years.

—Based on report from
Office of U.S. Agricultural Attaché
Vienna

200 Years of U.S. Farm Trade Policy

Part I—Independence to Interdependence, 1776-1946

By ROBERT L. TONTZ
Foreign Demand and Competition Division
Economic Research Service

WHEN THE AMERICAN colonists threw the British East India Company's cargoes of tea into Boston Bay in 1773 to protest an unfair tariff—"taxation without representation"—they provided a foretaste of the crucial role agricultural trade policy was to play in this country's growth and development. Not only did the Boston Tea Party help launch a revolution, it also symbolized a desire for free trade that continues today.

During the intervening 200 years, the principle of free trade has come under jeopardy many times as a result of domestic industry demands for protection, economic recessions and depressions, and retaliation against the import restrictions of other nations. But those periods of high protective tariffs almost inevitably led to restricted export opportunities for U.S. farm products, giving pragmatic support to the colonists' ideal of liberal trade as bountiful U.S. harvests increasingly exceeded domestic needs.

During the country's formative years, frequent and often-bitter debate focused on whether there should be a protective tariff at all. This was one of the first major foreign economic policy issues and also one of the few areas in which the Government became involved in business affairs.

Initially, the 13 "United States of America," decided they should follow a common foreign trade policy, even though they were still a loose confederation, independent not only of England but of each other as well. In practice, however, they did not do so since Congress, operating under the Articles of Confederation, possessed no power to levy customs duties. The separate States did have this prerogative, but rivalry and discrimination among them prevented realization of the common trade policy.

With the ratification of the Constitution in 1788, the power of levying import tariffs was withdrawn from the States and transferred to the Federal Government. This action introduced and ensured freedom of trade among the States and gave Congress power to regulate U.S. trade. The United States had become a "common market."

Prevailing opinion of political leaders at the close of the American Revolution had been in favor of free trade—a natural consequence of the revolt against restrictions and direct regulation of trade practiced in Europe. Following the war, however, foreign discriminatory legislation brought injury to American trade and demands for retaliation. But the first tariff act of the new nation, passed on July 4, 1789, sought to provide urgently needed revenue, rather than retaliation.

UNDER THE NEW tariff, protection was only nominal, with rates averaging about 5 percent, even though the act aimed at protecting manufactures. Since the nation was then largely agricultural, leaders were not ready to heed Alexander Hamilton's plea to protect and encourage manufactures in order to increase the nation's wealth.

This tariff also revealed the continuing conflict between the North and the South over trade policy. The North, having suffered competition in the export market for manufactured goods, wanted protection, while the South favored free trade for its farm produce. The changing influence of these two regions on Government decisionmaking was readily reflected in U.S. trade policies during subsequent years as they shifted periodically from liberal to protective tariffs.

Meanwhile, conditions abroad began to work against U.S. trade. Great Britain attempted to block imports from the United States in favor of those from Canada, although circumstances prevented realization of this goal except for a few U.S. items like salted beef and pork and dried fish.

Then, the conflict between Great Britain and France near the end of the 18th century brought harsh restrictions on U.S. shipping and trade. Short of war, Congress passed an embargo act in 1807 designed to deprive the European nations of supplies. Under the embargo, no vessels were to leave any American ports for foreign destinations.

Although the embargo act was repealed in 1809, continued British supremacy on the seas caused conditions to deteriorate further. To offset the cost of the War of 1812, the rates of the U.S. tariff of 1812 were doubled in the Tariff Act of 1816. Also, a new basis for tariff legislation, including the specific goal of "protection," was enunciated.

During the 1820's, depressions brought demands from the Middle and Western States for higher tariffs. Here, the depression of 1819 and 1820 had caused farmers and manufacturers to unite in seeking more protection, with the farmers reasoning that protection would build up home industries and thus boost demand for farm products.

Again, not all regions agreed on this course. Sentiment in New England was divided. And the South was strongly opposed to higher tariffs as a result of its dependence on the export market, especially for cotton; its desire to import

lower-priced manufactured products from abroad; and its international outlook.

Despite such economic and trade problems, the United States was rapidly becoming an important market for Great Britain—and thus a country with growing bargaining power in the export market. By 1825, nearly one-fifth of Great Britain's exports were sold to the United States, while about one-tenth of its imports came from the United States.

With the rising influence of the manufacturing class in Great Britain—and its desire for continued access to U.S. goods and markets—trade in Great Britain was liberalized. This enabled the British to buy low-priced raw materials for their factories and cheap food for their employees. Later, in the 3-year period following repeal of the British Corn Laws in 1846, the British tariff on corn (grain) was reduced and other products were admitted free or at much lower duties.

In the United States, with introduction of the Tariff Act of 1828, the regional differences between North and South intensified. Hoping to induce northern interests to oppose this pending tariff bill, southern representatives proposed high duties on raw wool and other crude materials. The maneuver failed, however, and the bill became law.

The Tariff Act of 1828 represented the extreme of U.S. protective legislation in the years between Independence and the Civil War. It resulted in average ad valorem rates on dutiable imports of roughly 50 percent and on free and dutiable imports together of over 45 percent. Still discontented after the law's passage, South Carolina challenged the law, a move that was successfully resisted by President Andrew Jackson.

HOWEVER, JACKSON'S conciliatory efforts led to passage of the Tariff Act of 1833, which provided for tariff reductions over a 9-year period. Although higher rates were restored in 1842, another cut in tariffs was proposed in 1846. That proposal was accepted, and the average rates on dutiable imports were brought down by tariff act changes in 1846 and 1857.

Congress supplemented the principle of "protection" with other principles under the 1846 tariff changes. These included collecting no more money than was necessary to operate the Government; imposing maximum duties on luxuries; abolishing minimum and specific duties; and introducing ad valorem duties—charging a certain percent of the invoice price instead of a fixed price per measurable unit.

During the Civil War, protectionism came to the forefront once again. The tariff reductions that had taken place since the 1830's were completely reversed with the avowedly protective Morrill Tariff of 1861, enacted just before the first shot was fired that started the Civil War. Subsequent duty increases in 1862 and 1864 aimed at equalizing conditions for U.S. producers bearing the burden of greater domestic excise taxes to finance the war.

The war brought especially sharp changes in U.S. farm trade and trade policies, including unfulfilled southern hopes that England would recognize the Confederacy in order to obtain cotton. This objective failed since England also desperately needed U.S. wheat. Cotton exports were sharply curtailed by the war, and they did not regain their prewar importance until nearly a decade later.

Between the end of the Civil War and the beginning of World War I, the United States enjoyed rapid economic growth. The country continued as a major producer of farm products and by 1894 had become the world's leading industrial nation. Once again, however, the conflict between liberal and protectionist forces kept trade policies and tariffs fluctuating. Among the major changes—

- Although steep domestic excise taxes no longer existed after the Civil War, high import duties remained and reached one of the highest levels of the postwar period with the passage of the McKinley Tariff of 1890. However, the McKinley principle of reciprocity authorized the President to negotiate with individual nations for mutually adjusted tariffs on specific items. Previously, commercial reciprocity treaties had required Congressional ratification.
- During the second term of the Cleveland Administration beginning in 1892, tariffs were generally reduced.
- In 1897, the Dingley Tariff, under the McKinley Administration, increased rates on dutiable goods to their all-time peak average of 52 percent. The policy of free raw sugar, adopted by the Republican Party of 1890, was abandoned, for revenue was urgently needed and the slowly developing beet-sugar industry demanded protection. The principle of reciprocity authorized by the McKinley Tariff was again incorporated in the tariff system.
- By the early 20th century, the Republican Party was no longer espousing its previous goal of extreme protectionism for U.S. producers.

Subsequently, the Payne-Aldrich Tariff Act of 1909 was passed, with its system of maximum and minimum tariffs replacing the reciprocal trade agreements approach. Under the law, the President, aided by a tariff board, could decide maximum rates, provided import duties brought the cost of the foreign article on a par with American costs. This left the consumer free to choose on the basis of quality; however, even when differences in costs of domestic and foreign production were offset by tariffs, transportation costs ordinarily barred imports.

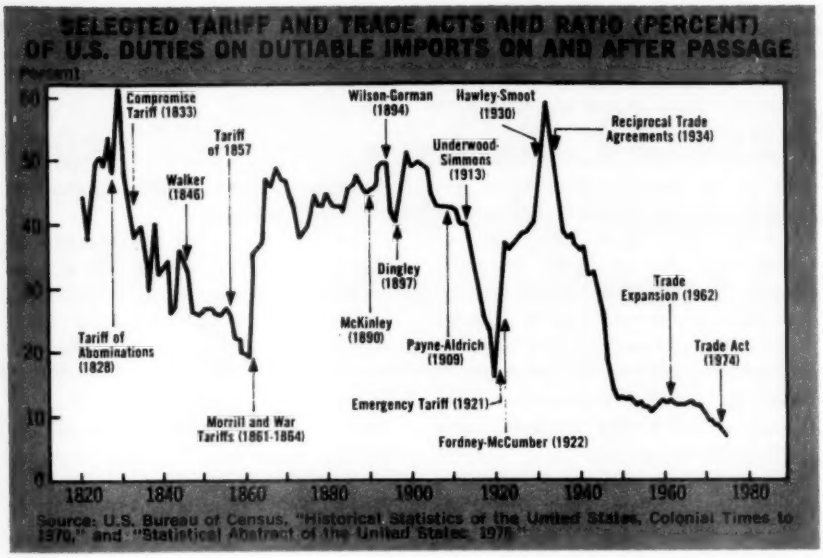
- The Underwood-Simmons Tariff, passed on the eve of World War I (1913), reduced tariffs significantly and added several items to the free list. The war prevented implementation of the reductions.

FOLLOWING WORLD WAR I, U.S. trade policy initially continued to provide heavy protection of domestic production against foreign competition. Then, in the early 1920's, an overexpanded agriculture, deflation, and the loss of foreign markets sparked a collapse of farm prices, posing severe hardships for American farmers.

Farm interests lobbied for increased tariffs to alleviate the problem, but neither agriculture nor industry recognized that the prewar policy of protection had succeeded only because the United States was then a large debtor to Europe, exporting mainly unprocessed products and servicing its foreign debts from export earnings.

Further, little consideration was given to Europe's weakened postwar position and what the higher tariff might do to trade. Heavily in debt to the United States and struggling with serious reconstruction difficulties, Europe faced a much different situation than in the prewar period.

Such was the setting when Congress passed the Emergency Tariff of 1921 imposing heavy import duties on farm products. Despite this measure, the benefit to farmers was negligible: low farm prices persisted, aggravated by



Europe's reactive tariff hikes.

Industry likewise received tariff protection through the Fordney-McCumber Act of 1922, which raised duties and gave the President authority to raise or lower duties by 50 percent to "equalize production costs." This authority was used 37 times—32 times to raise duties.

In 1929, as farm product prices declined further, farmers sought additional tariff increases, and industry once more followed with similar demands. Meanwhile, a sharp downward trend in both agricultural and industrial exports stimulated demands for increased tariff protection against any possible further deterioration of the domestic market. Imports were considered as disturbances that should be eliminated. The essential two-way trade relationship between exports and imports was not fully understood.

In 1930, Congress responded to the demands of agriculture and industry by passing the Hawley-Smoot Tariff, one of the highest in U.S. history.

The Hawley-Smoot tariff increase prompted many trading nations to increase their own levels of protection. As a consequence of this and other developments, U.S. exports suffered catastrophic declines. U.S. nonagricultural exports by 1932/33 had plunged to an annual average of $823 million, down 64 percent from their previous 4-year average, while annual U.S. agricultural exports were only $590 million, down 55 percent.

This precipitous trade decline discredited the prewar protectionist policy and prompted a major shift in U.S. trade policy during the 1930's.

Launching a new trade policy of two-way trade was the Reciprocal Trade Agreements Act of 1934, which amended the Hawley-Smoot Tariff Act of 1930. The Trade Agreements Act was designed to reduce the excessive duties set in 1930 and thus expand foreign markets for U.S. products. This and consequent legislation contributed to a significant expansion of U.S. exports.

The Trade Agreements Act was based on the premise that, to obtain and develop foreign markets for U.S. products, the United States had to extend corresponding market opportunities to other countries. The President could enter into reciprocal trade agreements with other countries through executive proclamation and without ratification by the Senate.

The President's tariff-reducing power was limited to 50 percent of duties existing on January 1, 1934. The Act also provided that the unconditional most-favored-nation treatment (equality of treatment to all nations) would be continued, except in the case of nations discriminating against American commerce. The law required that every trade agreement contain a provision to permit termination no more than 3 years after coming into effect.

Congress extended the authority to make trade agreements in 1937, 1940, and 1943 without significant amendments. In 1945 it extended the authority and allowed the President to lower rates by 50 percent of duties existing January 1, 1945. Thus, items reduced by 50 percent during 1934-45 could be cut another 50 percent—or 75 percent in all—for concessions from other countries. The year 1945 marked the legislative highpoint of the program. Since then, amendments have tended to restrict, rather than to expand, the power of the President.

During 1934-45, the United States concluded trade agreements with some 30 countries, whereas during the 90 years preceding the Reciprocal Trade Agreements Act it had negotiated and ratified only three reciprocal treaties under the general treatymaking power.

There were, of course, drawbacks to this bilateral approach.

One was that, by extending duty cuts to all countries, the most-favored-nation provisions opened up opportunities for other nations without getting major concessions in return. Efforts often were made to avoid this aspect of bilateral negotiations by confining the cuts between two countries to a small number of items in which each was the other's main supplier. Also, even between the two countries, it was often difficult to reduce one party's tariffs the same percentage as the other's and still achieve an acceptable balance for each.

On the other hand, the bilateral technique did permit a movement toward freer trade without requiring the consent of all major trading nations. During the 1930's, it would have been difficult to proceed on any other than this step-by-step basis.

To protect domestic industries against injury from this freer trade, the United States in later agreements pressed for "escape" clauses that rendered inoperative the parts of an agreement causing damage to domestic industry. A trade agreement with Argentina in 1941 carried the forerunner of such a clause, which was developed into a standard provision in a 1943 agreement with Mexico.

Most of these agreements had been in effect for only a short time before war preparedness and the subsequent outbreak of war in Europe in 1939 impeded trade liberalization. The agreements, therefore, were hardly tested under peacetime conditions.

To aid the increasingly hard-pressed American farmer during the Great De-

Continued on page 10

Lack of Public Credit Curbs Ecuador's Cattle Imports

By C. MILTON ANDERSON
U.S. Agricultural Attaché, Quito

FOLLOWING A SURGE in trade last year, Ecuador's cattle imports so far in 1976 have dropped back to the sluggish pace that prevailed prior to 1974, reflecting exhaustion of Government financing for private-sector cattle imports. Although plans have been made to revitalize public credit programs, the general impression is that most cattle imports this year will have to be privately financed.

Before 1974, private cattle imports by Ecuador only once totaled more than 150 head per year. Publicly financed credit programs from national and international sources began to take effect in 1974, however, boosting imports that year to 349 head, and during 1975—when these programs were in full force—purchases by the private sector shot up to 1,761 head with about 1,337 of these coming from the United States. Ministry of Agriculture data indicate that in 1975 imports of the Brown Swiss breed were most numerous, with imports totaling 891 head, followed by Holstein Friesian with 701 head, and Brahman with 130.

The exhaustion of public sector credit in Ecuador is best illustrated by the decline in import permit requests. During January-May 1976, there were requests for only 70 head, indicating a return to pre-public credit import levels.

If extensions to the livestock development projects involving Inter-American Development Bank (IDB) and World Bank loan funds are granted, monies from these projects will not become available before the beginning of 1977. However, unless additional lines of credit oriented toward imports are developed, the level of cattle imports is not likely to approach that experienced in 1975.

Since 1974, public credit has been the vehicle for most cattle purchases, even by Ecuadorean farmers who are financially capable of obtaining money in another manner. In April 1973 the Government of Ecuador established a pool of agricultural credit entitled the Financial Fund, through which $40 million from internal and external sources were made available for use.

Approximately $7.2 million of the $40 million was assigned for livestock development projects including acquisition and expenses for raising and fattening of cattle, swine, goats, and sheep; production of poultry and eggs; purchase of livestock and poultry feeds, including the raw materials used in their preparation; purchase of mineral salts and veterinary products; and seeding, expansion, and improvement of pastures for grazing.

Initially, Financial Fund loans were not appropriate for cattle imports since the repayment period was for 5 years or less. Cattle imports, however, were made possible by the subsequent establishment of a $6 million special line of credit—with repayment over 9 to 12 years—under the Financial Fund program. This special line of credit was later increased to $12 million in order to permit the use of about $10.5 million by the Ministry of Agriculture for the purchase of nearly 30,000 Brahman cattle from Costa Rica and Panama in 1974 and 1975, under the Ministry's Cattle Repopulation Program.

Of the $1.5 million balance of the special fund, nearly all was assigned to the National Development Bank, which was more willing to take the risk since it had more experience in agricultural loans than did private commercial banks or semiprivate credit corporations. Funds from the special line of credit were generally exhausted during the last 6 months of 1975. For all practical purposes, no funds for cattle imports from this source were carried into 1976.

As days pass, any new project to import additional head of cattle toward the completion of the Cattle Repopulation and Development Program seems increasingly less likely to occur during 1976. Opposition to further imports has arisen from local cattlemen, who say they should be given first chance to fill sectorial deficits. Accepting their suggestion, the Government of Ecuador is now concentrating its efforts on relocating cattle internally, providing technical assistance, and encouraging an improve-

Good Holstein dairy cattle in Ecuador. Breed type is being maintained through imports of semen and some bulls from the United States.

ment in the facilities of cattlemen who may or may not have received cattle during 1975.

The inability of Ecuador's breeders to import cattle using public credit was aggravated by the total utilization by mid-1975 of the $8 million livestock development loan from the World Bank. Under this program, World Bank funds were matched 70:30 with those of the beneficiaries. A total of 363 cattlemen received integrated or package loans for cattle, pasture improvement, fences, machinery, equipment, and construction of buildings. World Bank loans were used also to purchase 16,616 head of cattle, 95 percent from local sources and 5 percent from imports.

A third source of public credit for cattle import was initiated in April 1974 under a $25.3 million Government of Ecuador program for agriculture and livestock development, including $15 million provided by a loan from the IDB.

Of the programmed amount, 25.8 percent—$6.65 million—was designated for dairy and beef cattle development, including $1.86 million for imports.

By June 1976 roughly 80 percent of the funds designated for imports had been used. Because of greater-than-expected utilization, loan funds from this source are now expected to disappear before the end of 1976.

One of the important provisions of the IDB loans, however, was that loan fund beneficiaries should not have a net worth in excess of $100,000. The regulation is made somewhat less rigid by NDB evaluators who try to be flexible with regard to net worth estimates.

As 1975 ended, it was widely believed that one or more new livestock development programs with private sector import components would be developed for use beginning in 1976. The chance of this happening in 1976 now seems very dim.

Plans are underway, however, for a new $33.4 million program for agriculture and livestock development, which would include a $20 million contribution from the IDB to extend its previous loan. Another possibility is that the World Bank may enter into the fourth phase of its loan program to Ecuador with a loan totaling $20 million, including counterpart funds. However, no more than 5 percent of the 30 percent allocated to the acquisition of cattle would be usable for importing cattle.

200 Years of U.S. Farm Trade Policy

Continued from page 8

pression of the 1930's, price supports had been provided under the authority of the farm parity acts beginning with the Agricultural Adjustment Act of 1933. The programs implemented under these acts separated domestic prices of agricultural products from world prices.

The parity acts and the trade agreements legislation, although designed to help the farmer, were at cross purposes. The policy of farm-price support restricted the operation of market forces, while the trade agreements policy sought to expand the operation of market forces in the international area.

To make the high price supports effective even though world prices were depressed, export subsidies and import quotas and fees were used.

Subsidy payments were made under authority of Section 32 of the Agricultural Adjustment Act of 1935, which specified that 30 percent of all customs revenues be appropriated for financing surplus disposal.

At the same time, when tariffs were insufficient to prevent foreign sales in the United States of products covered by U.S. price supports, imports were limited by quotas or fees according to Section 22 of the Agricultural Adjustment Act of 1935. The products included wheat, flour, cotton, and sugar for certain uses.

The trade-impeding impact of price supports and the imposition of import quotas in the 1930's was not of great significance at the time because such supports were limited both in size and number of commodities affected.

Following World War II, with its extensive destruction, the United States and its Allies launched a far-flung relief program. The official "European Recovery Program," popularly known as the "Marshall Plan," and the costly but helpful efforts that preceded it contributed significantly to facilitating recovery from the devastation of the war and in correcting basic postwar economic weaknesses. The European nations' Organization for European Economic Cooperation (OEEC) later evolved into the broadened 24-country Organization for Economic Cooperation and Development (OECD) including U.S. membership.

The OECD provides a forum in which the developed countries can arrive at common understandings concerning trade problems. A further need for the post-World War II economy was an organization concerned with international trade. This was undertaken by the development of principles for an International Trade Organization (ITO).

The ill-fated charter for the ITO, drawn up at Havana in 1948, specified principles and rules for reduction of tariffs, elimination of quotas, and creation of conditions for the expansion of multilateral trade on equal terms. It set up rules for international commodity agreements and government regulation of business practices that might restrain international trade. It recognized the need for governments to relate foreign trade policies to domestic measures to assure stability and full employment, and it provided some of the elements of a code for private international investment.

President Truman submitted the Havana Charter for the ITO to Congress in April 1949. Although the House Foreign Affairs Committee held hearings in 1950, it did not go further.

The ITO did not materialize, primarily because of changes on the world scene. The Korean War, the Cold War, NATO, and European reconstruction all made the ITO less urgent.

In recognition of the difficulties confronting them, most of the governments involved in the ITO negotiations subscribed to a more modest instrument, the General Agreement on Tariffs and Trade (GATT), which had been drawn up in Geneva in 1947. GATT became a permanent agreement and was transformed into an international agency responsible for the implementation of a code of conduct in trade matters.

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Swiss Defeat Land Control Measure in Referendum

By REINHOLD SCHWARZ
Office of U.S. Agricultural Attaché
Bern

VOTERS—IN A LIGHT turnout—have rejected a referendum measure that would have given the Swiss Federal Government greater control over land use, both in urban and farm areas.

The new ordinance—called the Federal Law Governing Land Management—was defeated by a narrow margin on June 13, 1976, with 34.5 percent of the eligible voters participating. The final tally was 626,244 in favor and 654,201 against.

The Swiss Government is mandated by the Constitution to originate land laws on which the Cantons (States) are to base their own. The Federal Government proposed a basic ordinance to deal with soaring land prices, to regulate indiscriminate uses of land for residential and industrial construction, to preserve the beauty of scenic areas for future generations, to cut down on pollution, and to preserve agricultural land to enable Swiss farmers to boost the country's agricultural self-sufficiency.

Switzerland imports about $2 billion worth of agricultural products annually most of which come from neighboring European Community members. U.S. agricultural exports to Switzerland amounted to $150-$200 million in recent years.

Underlying the Government's interest in land control is Switzerland's limited area and high population density. The land area is only 15,417 square miles—or approximately 10 million acres—although much of it is unusable because of the country's mountainous terrain. The population is 6,331,000. This gives a land density of 1 person for each 1.6 acres, compared with 11.3 acres in the United States and 2.9 acres in Europe as a whole.

Up to the present time, land management has been solely the province of the Swiss Cantons, which many Swiss claim have proven unable to cope with many of the complex problems associated with growth such as urban and suburban sprawl, destruction of scenic areas, wasteful and sometime inappropriate land use, population movement from the mountains to the cities, and growing urban traffic. Investment in sometimes unnecessary utilities and public buildings, and above all, rapidly escalating—and often speculative—land prices are also major interests.

In an attempt to solve the landuse problem on a national level, the Swiss Constitution was amended in 1969 to include two new references dealing with real estate. These became the bases for the envisaged Federal Land Management Law.

One provision provided a constitutional guaranty of property, stating that in the event of expropriation and/or restriction of title in the public interest, full indemnification would be granted. The other authorized the Federal Government "to establish legislative principles of land management—to be regulated and implemented by the Cantons—in order to serve the expedient use and the orderly settlement of the land." The Confederation (Central Government) was further directed to "promote and coordinate the efforts of the Cantons, to cooperate with them, and to duly consider the requirements of state, regional, and local planning in fulfilling its own tasks."

Because of the urgency of the problem and recognition that the drafting and enactment of such a law would take considerable time, the Swiss Parliament in March 1972, adopted a "Decision Concerning Urgent Measures in the Field of Land Management." An interim decree, scheduled to expire at the end of 1976, the Decision obligated the Cantons to put under provisional protection all those areas where human settlement or building construction endangered scenic or recreational areas or threatened to interfere with natural forces. In effect, the regulation would temporarily restrict or forbid such developments.

In this way, any further random settlement could be restrained to give the Cantons and communities time to prepare their own land reform laws so as to mesh in smoothly with the expected requirements of the Federal Land Management Law.

Under the provisions of the rejected law, the Cantons would have been obligated to establish overall targets outlining the use to which land could be put, and settlement projects planned for their areas. The Confederation would have been authorized to assist the Cantons financially with their planning as well as to grant loans to cover relocation costs of utilities—including equipment—and to provide for land acquisitions.

Legal powers to be given to the Cantons to strengthen their roles in drafting and implementing the provisions of a land control measure included a procedure to require mandatory construction permits that would have limited the type of structure to be erected in a given area. For example, only buildings and installations serving agriculture would be permitted in rural areas. Legally defined procedures would have been established for repartitioning land; terms of and payment for expropriated land established; and an added-value adjustment levy outlined to control land speculation. The latter provided that anyone making substantial profits from the land control measure would have had to pay an added-value tax to the Government.

THE FUNDS thus received would finance land management programs and make "equalization payments" to the agricultural and forestry sectors in the form of structural improvements to certain buildings, restoration of living quarters, and acreage premiums in the mountainous regions as compensation for services given in land management, and for environmental protection.

Two of the apparent reasons for the rejection of the land control law were low voter participation and a lack of general information about its provisions. The number of persons voting in public referendums since the fifties has been steadily declining and, with few exceptions, in recent years the average number has amounted to about one-third of the electorate. Many Swiss believe that too many laws are being submitted for public approval, generating a general mood of apathy in the majority of the voters.

Many of those who voted "no" reportedly feared the centralism that would result from the bill's enactment

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WORLD COFFEE ESTIMATE UPPED 1.6 MILLION BAGS

The second FAS world coffee crop estimate for 1976/77 is for a total production of 62.1 million bags, of which an estimated 44.7 million bags would be available for export. The increase of 1.6 million bags over the first FAS estimate for 1976/77 is due mainly to upward revisions in production estimates for several North American countries and for the Ivory Coast.

The second estimate for the 1976/77 crop year represents a decrease of 15 percent from that of 1975/76. Although this is the smallest crop since 1970/71 when total world production was 58.3 million bags, it is only slightly lower than estimated world production for 1973/74. In all 3 years, a severe frost in Brazil in July of the preceding year was the principal factor behind the low production figures. Based on further observations in the producing areas, Brazil's 1976/77 crop is unchanged from the first estimate of 9.5 million bags, which compares with 23 million bags in 1975/76.

The 1975/76 total world coffee production is estimated now at 72.8 million bags, with 54.2 million available for export. For 1976/77, consumption is estimated to be down by about 6 percent from that of 1975/76 due to the anticipated impact of higher prices.

Prices of all four major types of green coffee have continued to advance during the third quarter of 1976.

India's Grain Storage Challenge Continued from page 4

derway aim at obtaining World Bank funding for a portion of this additional capacity. These estimates do not include the cost of personnel engaged in storage, treatment, and inspection of buffer stocks; equipment and insecticides for preservation; interest on loans; distribution costs; replenishment costs (something in excess of $2 billion was pumped into the economy in order to amass the present buffer); developing and acquiring rolling stock and trucks for bulk transportation; equipment for handling foodgrains at various levels; and many other items of capital and maintenance costs.

Swiss Land Control Measure Continued from page 11

and, in general, disliked the proposed regimentation.

Also, despite some evident advantages of the law to agriculture, farmers reportedly seemed to have a particular aversion to its expropriation provisions. Practicing farmers still own about 70 percent of the 1,831,000 acres of cultivated land in Switzerland, although they represent only about 7-8 percent of the population. In addition, about two-fifths of all Swiss families own real estate.

A spokesman for the Swiss Government has announced that in view of the law's rejection, and the expiration at the end of 1976 of the interim land management decision, the Swiss Federal Council would submit new short-term proposals to the Parliament in September. This would provide a bridge to span the interval from the present until a revised Land Management Law could be proposed to Parliament.

In essence, the revised law would remain the same, but individual provisions would be more precisely worded, and the delineation between the principles set forth by the Federal Government and their implementation by the Cantons more clearly defined. Some observers believe provisions such as the highly criticized expropriation section and the added-value adjustment levy may have to be greatly modified or even eliminated to secure voter approval.

Moreover, there is general agreement that the public would have to be much better informed on the objectives and provisions of the law prior to another referendum, should the revised law be put to a voter test.

About 2 years will be needed before a revised law can be drafted. At least one Swiss newspaper characterized the land control measure as the "Law of the Century." It is said no legislation in Switzerland's recent history will touch the lives of so many of its citizens.

*U.S. GOVERNMENT PRINTING OFFICE: 1976 241-410/1 1-3